the setting up of an agency to manage and monitor plan and non-plan spending;

(b) whether ASSOCHAM has also suggested the need to evaluate the borrowings by the States as a step to curb fiscal deficit; and

(c) if so, what are the details in this regard?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) to (c) The Associated Chambers of Commerce and Industry (ASSOCHAM) in a publication entitled "Strategy For Fiscal Reforms" has given suggestions pertaining to India's fiscal position. These suggestions *inter-alia* include comprehensive policy on expenditure management both at the Centre and at the States, setting up of a high powered Administrative Reforms Commission, imposition of a legislative cap on borrowings at the Centre and at the States, subjecting State Governments to the forces of market evaluation in their borrowings, undertaking programme of privatisation and using its proceeds to retire debt, evolving consensus among political parties to review and rationalise major subsidies etc.

**Impact of European Currency on Indian Companies**

82. DR. ALLADI P. RAJKUMAR: Will the Minister of FINANCE be pleased to state:

(a) the impact of introduction of new European currency on Indian Companies; and

(b) the steps taken by the Indian Banks to handle Euro currency?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) Euro, the new European currency, has been launched in January, 1999 and euro is for use by Central Banks, Commercial Banks and some large market players to begin with. It is too early to measure its full impact. However, some of the likely implications of the introduction of single currency are: reduction in transaction cost, elimination of exchange rate risks, and wider market. At the same time, companies are likely to face more competition. For the companies, the primary legal issue which will need to be addressed on account of the transition to the single currency is the continuity of existing contracts.

(b) RBI has permitted banks to extend FCNR deposit facilities in euro and/or DM till 31 December 2001. Thereafter banks can offer only deposits denominated in euro. RBI has advised banks to adopt EURIBOR and EURO LIBOR bench marks for pricing their foreign exchange transactions. Banks have been asked to set up Core Groups within each one of them to deal with issues relating to euro.

**Worsening Financial Position of States**

83. SHRIMATI CHANDRESH KUMARI: Will the Minister of FINANCE pleased to state:

(a) whether the Reserve Bank of India has observed that the financial position of the States is worsening;

(b) whether these observations indicate that the fiscal deficit of State Government is likely to widen by 17.5 per cent to Rs. 5,960.76 crore;

(c) whether Government propose to name such State Governments facing worse financial position;

(d) whether Government propose to take some immedite steps to check such State of affairs in future; and

(e) if so, the details thereof and if not, the reasons therefor?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) and (b) Reserve Bank of India brings out publications on the Finances of the State Government. According to some of the recent publications, the financial position of the States, in general, has shown deterioration in terms of some of the economic indicators.

(c) to (e) The transaction between a State and the RBI is conducted as per an agreement between the two. Since, it is a matter of relationship between the banker and the client (between the RBI and the State Government), such information is not published/made public by Government of India.

The States are autonomous under the Constitution. In the matter of financial management, the State Government is responsible to the legislature of the State or to the Parliament if, the State is in under President's Rule.